

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 EUR-12 CIAE-00 DODE-00 PM-04 H-02

INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15

USIA-06 AID-05 COME-00 EB-07 FRB-03 TRSE-00 XMB-02

OPIC-03 CIEP-01 LAB-04 SIL-01 OMB-01 STR-04 CEA-01

FAA-00 DOTE-00 INT-05 OES-03 FEA-01 AGR-05 IO-10

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SUBJECT: FRG FONMIN SIGNS LOAN ACCORDS

REFS: A) LIMA 7453 (NOTAL); B) BONN 18698

BEGIN UNCLASSIFIED

1. DURING HIS VISIT TO PERU NOVEMBER 20-21, WEST GERMAN FONMIN GENSCHER MET WITH PRESIDENT MORALES BERMUDEZ, THE PRIME MINISTER AND FONMIN DE LA FLOR. HE SIGNED THREE AGREEMENTS IN WHICH THE FRG PLEDGES TO LEND PERU A TOTAL OF 131 MILLION DEUTSCHEMARK (APPROXIMATELY \$50 MILLION).

2. AGREEMENTS BREAK DOWN AS FOLLOWS: 95 MILLION DM (15 MILLION OF WHICH ARE DRAWN FROM A 1972 ACCORD) TO HELP CONSTRUCT ZINC REFINERY AT CAJAMARQUILLA; 30 MILLION DM TO INSTALL POTABLE WATER AND SEWERAGE SYSTEMS IN OUTLYING SECTIONS OF LIMA; AND
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SIX MILLION DM TO SET UP RADAR FACILITY AT LIMA'S INTERNATIONAL AIRPORT. LOANS ARE PAYABLE IN 30 YEARS AT TWO PERCENT INTEREST,

WITH TEN-YEAR GRACE PERIOD.

3. IN COMMENTS TO THE PRESS, DE LA FLOR EMPHASIZED THAT DESPITE EXTREMELY FAVORABLE TERMS, LOANS ARE NOT TIED TO POLITICAL CONCESSIONS OF ANY KIND. HE ALSO SAID THEY REPRESENT NEARLY 50 PERCENT OF TOTAL FRG COMMITMENTS TO PERU IN RECENT YEARS, WHICH AMOUNT TO APPROXIMATELY 300 MILLION DM, AND CONSTITUTE ABOUT 33 PERCENT OF TOTAL FINANCIAL ASSISTANCE PERU IS RECEIVING AT PRESENT TIME.

4. ACCORDING TO A JOINT COMMUNIQUE ISSUED AT CLOSE OF GENSCHER'S VISIT:

--GENSCHER BRIEFED DE LA FLOR ON UPCOMING PARIS CONFERENCE ON ENERGY, RAW MATERIALS, AND DEVELOPMENT; DE LA FLOR EXPRESSED HOPE CONFERENCE WILL TAKE INTO ACCOUNT "THE JUST ASPIRATIONS OF DEVELOPING NATIONS".

--GENSCHER SAID FRG FOREIGN POLICY STRIVES FOR "JUST BALANCE OF INTERESTS" BETWEEN INDUSTRIALIZED AND DEVELOPING NATIONS.

--DE LA FLOR STRESSED SIGNIFICANCE OF LIMA NON-ALIGNED CONFERENCE AND UNDERLINED IMPORTANCE OF RESOLUTIONS FOR THIRD WORLD ECONOMIC SOLIDARITY AND "NON-ALIGNED" PROPOSAL FOR SPECIAL UN SESSION ON DISARMAMENT.

--DE LA FLOR BRIEFED GENSCHER ON PERUVIAN INITIATIVES FOR ARMS LIMITATION IN ANDEAN AREA; GENSCHER INFORMED DE LA FLOR OF FRG'S SUPPORT OF EUROPEAN INTEGRATION AND ITS HOPE THAT DETENTE MIGHT FACILITATE EVENTUAL REUNIFICATION OF GERMAN PEOPLE.

--DE LA FLOR EMPHASIZED IMPORTANCE GOP ATTRIBUTES TO POSSIBLE FRG TECHNICAL HELP IN ITS SOCIAL PROPERTY SECTOR; GENSCHER REPEATED FRG'S WILLINGNESS TO COOPERATE IN "THAT AND OTHER AREAS".

--DE LA FLOR INFORMED GENSCHER OF "ACTIONS THE GOP (IS TAKING) FOR DEVELOPING ITS CAPABILITY FOR RESEARCH AND APPLICATION OF NUCLEAR ENERGY FOR DEVELOPMENT PURPOSE(S)."

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5. COMMENT: GERMAN EMBOFF CONFIRMED TO US ACCURACY OF LOAN FIGURES PRESENTED ABOVE. HE NOTED THAT ALL THREE PROJECTS HAD BEEN DISCUSSED PREVIOUSLY, ALTHOUGH THE GOP-DOMINATED PRESS TENDED TO ASSERT THAT THEY WERE NEW PROJECTS. IN REGARD TO NUCLEAR ENERGY AND RESEARCH, GERMAN EMBOFF SAID THAT DE LA FLOR MADE A GENERAL PRESENTATION OF PERUVIAN INTERESTS IN THE REACTOR AND NUCLEAR

ENERGY FIELD, WITH PARTICULAR STRESS ON NEED FOR TECHNICAL ASSISTANCE. THERE WAS NO DISCUSSION OF SPECIFIC REACTOR SYSTEMS, BUT GERMANS DID SAY THEY WOULD STUDY PERUVIAN REQUESTS FOR TECHNICAL ASSISTANCE AND POSSIBLY BE IN A POSITION TO TRAIN SOME TECHNICIANS AT FUTURE DATE.

6. AS REF A REPORTED, THE GOP HAS APPARENTLY DECIDED TO BUY A RESEARCH REACTOR FROM FRANCE. GERMAN EMBOFF SAID THAT GERMAN-PERUVIAN TALKS IN NO WAY PRECLUDE SUCH A PURCHASE. BARNEBEY

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